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### **More Gain than Pain**

North Carolina will gain more than it loses from free trade with Central America. But there likely will be a downside if Congress approves the Central American Free Trade Agreement, which also covers the Dominican Republic.

Weighing potential gains against losses leaves some members of the state's congressional delegation, including Mel Watt and Howard Coble, still undecided.

Watt sees an irony in that the North Carolina textile jobs most threatened by free trade with Central American countries already have been depleted by imports from China and may not survive long anyway. But emerging employers — Watt named Dell and FedEx — can benefit.

Coble says he'll anger about half his constituents either way he votes. Even textile manufacturers are split, some saying the additional competition will finally drive them out of business, others contending that partnerships with Central American manufacturers will help them compete against Asian producers. Under the deal, garments imported from CAFTA countries would not be subject to duties or quotas if they contain U.S.-made fabric and yarn. But these partnerships could lead to the outsourcing of many jobs to Central America, along with the saving of others. On a positive note, a surge of imports could trigger safeguards in the form of duties for up to three years.

Opponents warn that China might use Central America as a conduit to U.S. markets. The administration says enforcement provisions will prevent that. Some observers are skeptical, but North Carolina Sen. Elizabeth Dole was satisfied with assurances and endorsed the treaty.

The state's agriculture industry strongly supports CAFTA. High tariffs imposed by Central American countries block North Carolina farm products, but once they're removed the industry sees potential for significant export growth of poultry, pork, corn, cotton and soybeans.

CAFTA also could create markets for North Carolina-based banks, pharmaceutical manufacturers and companies like Dell and FedEx.

Other objections center on labor and environmental standards. The agreement leaves it largely to participating countries to enforce their own regulations, which are lax in Central America. President Bush recently promised Democrats in Congress that he'll address those concerns, but it's too late to add provisions to the treaty.

Former President Jimmy Carter, however, endorsed the pact, noting that “labor standards are likely to improve as a result of CAFTA.” It also will enhance democracy and development in Central America, he added.

Free trade poses risks, but, as UNCG economist Andrew Brod points out, it always creates economic growth.

The Triad’s future economy will rely less on traditional manufacturing and more on emerging industries as well as transportation. But the short-term disruption worries Watt and others.

“Fifty, 75, 100 years down the road, we should all be free-traders,” Watt said. “The objective is to raise living standards in all countries. But it’s hard if people down the street are losing their jobs in the short term.”

The government must help displaced workers cope with job losses. But the purpose of CAFTA is to expand opportunities. On balance, it’s good for North Carolina.